



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ April 4, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Guthrie Center, Iowa.

The City's receipts totaled \$3,983,533 for the year ended June 30, 2015, a 9.0% increase over the prior year. The receipts included \$665,747 in property tax, \$13,026 from tax increment financing, \$1,800,295 from charges for service, \$663,791 from operating grants, contributions and restricted interest, \$589,720 from capital grants, contributions and restricted interest, \$124,698 from local option sales tax, \$24,499 from unrestricted interest on investments, \$98,501 from the sale of capital assets and \$3,256 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$3,713,645, a 13.2% increase over the prior year, and included \$818,698 for capital projects, \$455,483 for public safety and \$227,934 for culture and recreation. Also, disbursements for business type activities totaled \$1,646,747. The increase in disbursements is due primarily to an increase in capital projects for a facade project started during the year ended June 30, 2015.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1521-0365-B00F.pdf>.

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CITY OF GUTHRIE CENTER
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

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City of Guthrie Center

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Kunkle	Mayor	Jan 2016
Craig Heckman	Council Member	Jan 2016
Carolyn Masters	Council Member	Jan 2016
Roger Underwood	Council Member	Jan 2016
Randy Nickel	Council Member	Jan 2018
Dennis Patrick	Council Member	Jan 2018
Scott Gonzales	Utility Trustee	Jan 2016
Dan Nickell	Utility Trustee	Jan 2018
Elden Wolfe	Utility Trustee	Jan 2020
Laura Imerman	City Clerk/Treasurer	Indefinite
David Bruner	Attorney	Indefinite

City of Guthrie Center



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Guthrie Center, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Guthrie Center as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As discussed in Note 4, the City of Guthrie Center adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Guthrie Center's basic financial statements. The financial statements for the nine years ended June 30, 2014 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 34 through 41, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2016 on our consideration of the City of Guthrie Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Guthrie Center's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 4, 2016

City of Guthrie Center

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Guthrie Center provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 39.2%, or approximately \$613,000, from fiscal year 2014 to fiscal year 2015. Capital grants, contributions and restricted interest increased approximately \$416,000 and operating grants, contributions and restricted interest increased approximately \$146,000.
- Disbursements of the City's governmental activities increased 44.7%, or approximately \$639,000, from fiscal year 2014 to fiscal year 2015. Capital projects and public safety disbursements increased approximately \$770,000 and \$224,000, respectively, while public works and community and economic development disbursements decreased approximately \$154,000 and \$230,000, respectively.
- The City's total cash basis net position increased 4.6%, or approximately \$270,000, from the restated June 30, 2014 balance. Of this amount, the cash basis net position of the governmental activities increased approximately \$96,000 and the cash basis net position of the business type activities increased approximately \$174,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sewer, solid waste and gas systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Howey Estate, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Solid Waste and Gas Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

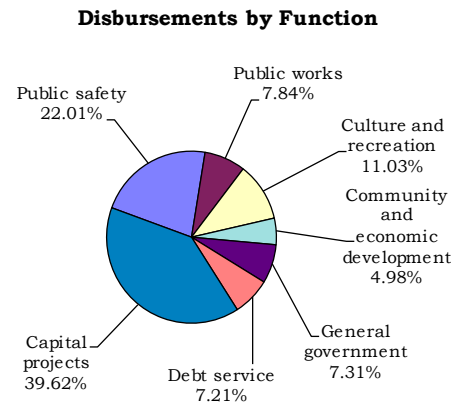
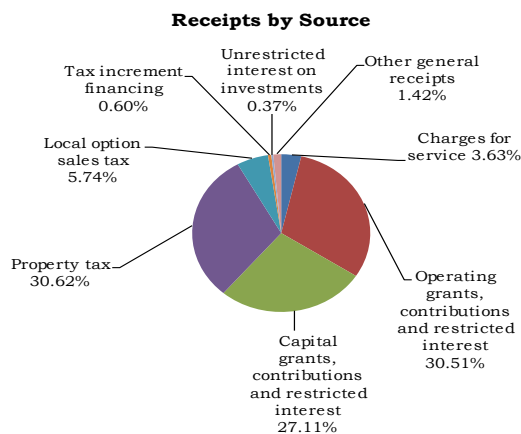
3) The Fiduciary Fund consists of an Agency Fund which accounts for resources held for others.

The required financial statement for the Fiduciary Fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased slightly from a year ago, increasing from a restated balance of approximately \$1.945 million to approximately \$2.041 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014 (Not restated)
Receipts:		
Program receipts:		
Charges for service	\$ 79	90
Operating grants, contributions and restricted interest	664	518
Capital grants, contributions and restricted interest	590	174
General receipts:		
Property tax	666	585
Local option sales tax	125	124
Tax increment financing	13	14
Unrestricted interest on investments	8	11
Other general receipts	31	47
Total receipts	2,176	1,563
Disbursements:		
Public safety	455	231
Public works	162	316
Culture and recreation	228	188
Community and economic development	103	333
General government	151	161
Debt service	149	150
Capital projects	819	49
Total disbursements	2,067	1,428
Change in cash basis net position before transfers	109	135
Transfers, net	(13)	-
Change in cash basis net position	96	135
Cash basis net position beginning of year, as restated	1,945	1,729
Cash basis net position end of year	\$ 2,041	1,864



The City's total receipts for governmental activities increased 39.2%, or approximately \$613,000, over the prior year. The total cost of all programs and services increased approximately \$639,000, or 44.7%. The significant increase in receipts and disbursements was primarily the result of community development block grant funding received for a facade project and a corresponding increase in capital projects disbursements for the project. The City also received a large donation for the Fire Department during the year, a portion of which was used to purchase a fire truck.

The cost of all governmental activities this year was approximately \$2.067 million compared to approximately \$1.428 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$734,000 because some of the cost was paid by those directly benefited from the programs (approximately \$79,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1,254,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$782,000 to approximately \$1,333,000, principally due to receiving a large donation for the Fire Department and community development block grant funding for a facade project.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 417	371
Sewer	233	227
Solid waste	125	124
Gas	946	1,257
General receipts:		
Unrestricted interest on investments	16	37
Sale of capital assets	71	-
Miscellaneous	-	76
Total receipts	1,808	2,092
Disbursements:		
Water	393	454
Sewer	194	164
Solid waste	103	98
Gas	957	1,136
Total disbursements	1,647	1,852
Change in cash basis net position before transfers	161	240
Transfers, net	13	-
Change in cash basis net position	174	240
Cash basis net position beginning of year	3,904	3,664
Cash basis net position end of year	\$ 4,078	3,904

Total business type activities receipts for the fiscal year were approximately \$1.808 million compared to approximately \$2.092 million last year, a 13.6% decrease. Total disbursements for the fiscal year decreased 11.1% to approximately \$1.647 million. These decreases were due primarily to a decrease in the cost of purchased gas and a corresponding decrease in the rate charged to customers for the cost of gas usage during fiscal year 2015. The cash balance increased approximately \$174,000 over the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Guthrie Center completed the year, its governmental funds reported a combined fund balance of \$2,040,998, an increase of approximately \$96,000 over last year's restated total of \$1,945,319. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased approximately \$70,000 from the prior year to approximately \$1,036,000, primarily due to the purchase of a tanker truck and thermal imager.
- The Special Revenue, Road Use Tax Fund cash balance increased approximately \$33,000 to approximately \$193,000. The increase is primarily due to reduced disbursements in the public works function for asphalt projects. Receipts remained consistent when compared to the prior year.
- The Special Revenue, Howey Estate Fund was established during fiscal year 2015. The City's Fire Department received a large donation from the Howey Estate to be used for fire department expenses. The City purchased a fire truck during the current fiscal year.
- The Capital Projects Fund cash balance decreased approximately \$116,000 from the prior year to approximately \$34,000. Disbursements increased approximately \$705,000 due to costs related to a facade project during the year. Receipts increased approximately \$320,000 due to the receipt of a community development block grant to help defer costs associated with the facade project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased approximately \$5,400, or 1.6%, from the prior year.
- The Enterprise, Sewer Fund cash balance increased approximately \$40,000 to approximately \$463,000 at the end of fiscal year 2015. Receipts remained steady compared to the prior year while disbursements increased approximately \$30,000 for repair work completed on the sewer pump.
- The Enterprise, Solid Waste Fund cash balance increased approximately \$23,000 to approximately \$355,000 with slight increases in receipts and disbursements over fiscal year 2014.
- The Enterprise, Gas Fund cash balance increased approximately \$116,000 to approximately \$2,927,000, primarily due to a decrease in the cost of purchased gas during the current fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 26, 2015 and resulted in an increase in budgeted receipts and disbursements related to a facade project. The City received community development block grant funding to help defray a portion of the costs for the project.

The City's receipts were \$344,084 more than budgeted. This was primarily due to the City receiving a donation from the Howey Estate for the Fire Department which was not originally budgeted.

Total disbursements were \$498,275 less than budgeted. Actual disbursements for the community and economic development, general government and business type activities functions were \$300,447, \$154,835 and \$238,878, respectively, less than the amended budget. The City budgeted to purchase a building for a new City Hall. This purchase was delayed until the next fiscal year. In addition, purchased gas prices were significantly less than originally expected and a walking trail overlay was not completed as anticipated.

Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety and capital projects functions. Costs for a tanker truck, thermal imager and the facade project were higher than expected.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$975,000 of bonds outstanding, compared to \$1,105,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2015	2014
General obligation bonds	\$ 975,000	1,105,000

Bonds outstanding decreased as a result of scheduled principal payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$975,000 is significantly below its constitutional debt limit of approximately \$1.8 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Guthrie Center's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various city activities. One of those factors is the economy. The unemployment rate in the County in June 2015 was 3.4% compared to 4.0% in June 2014. This compares to the State's unemployment rate of 3.6% and the national rate of 5.3% in June 2015.

The City's taxable valuation increased approximately \$338,000 for the fiscal year 2016 budget. Amounts levied for property tax are approximately \$260,000 in fiscal year 2016, an increase of approximately \$3,000 over fiscal year 2015. Total receipts for fiscal year 2016 decreased approximately \$197,000 from the fiscal year 2015 budget. This decrease is mainly due to a decrease in expected federal funds.

Budgeted disbursements are expected to decrease approximately \$83,000 from the fiscal year 2015 budget. The decrease is mainly due to a decrease in expenditures for the facade project and an increase in disbursements for improvements to the utility systems.

If these estimates are realized, the City's budgeted fund balance is expected to decrease by the close of fiscal year 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laura Imerman, City Clerk, 102 N 1st Street, Guthrie Center, Iowa 50115.

Basic Financial Statements

City of Guthrie Center

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 455,483	2,240	20,028	-
Public works	161,618	3,309	163,149	-
Culture and recreation	227,934	53,742	49,225	-
Community and economic development	103,442	1,930	414,889	-
General government	150,833	18,170	-	-
Debt service	148,890	-	-	-
Capital projects	818,698	-	16,500	589,720
Total governmental activities	2,066,898	79,391	663,791	589,720
Business type activities:				
Water	393,028	416,547	-	-
Sewer	193,706	232,787	-	-
Solid waste	102,988	125,179	-	-
Gas	957,025	946,391	-	-
Total business type activities	1,646,747	1,720,904	-	-
Total	\$ 3,713,645	1,800,295	663,791	589,720
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year, as restated				
Cash basis net position end of year				
Cash Basis Net Position				
Nonspendable - Cemetery perpetual care				
Restricted:				
Streets				
Fire				
Local option sales tax				
Capital projects				
Employee benefits				
Debt service				
Meter deposits				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(433,215)	-	(433,215)
4,840	-	4,840
(124,967)	-	(124,967)
313,377	-	313,377
(132,663)	-	(132,663)
(148,890)	-	(148,890)
(212,478)	-	(212,478)
(733,996)	-	(733,996)
-	23,519	23,519
-	39,081	39,081
-	22,191	22,191
-	(10,634)	(10,634)
-	74,157	74,157
(733,996)	74,157	(659,839)
513,354	-	513,354
152,393	-	152,393
13,026	-	13,026
124,698	-	124,698
8,072	16,427	24,499
27,501	71,000	98,501
3,256	-	3,256
(12,625)	12,625	-
829,675	100,052	929,727
95,679	174,209	269,888
1,945,319	3,904,477	5,849,796
\$ 2,040,998	4,078,686	6,119,684
\$ 52,920	-	52,920
193,241	-	193,241
171,348	-	171,348
361,345	-	361,345
33,556	-	33,556
143,585	-	143,585
45,313	-	45,313
-	47,815	47,815
3,468	-	3,468
1,036,222	4,030,871	5,067,093
\$ 2,040,998	4,078,686	6,119,684

City of Guthrie Center

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

		Special Revenue	
		Road	Howey
	General	Use Tax	Estate
Receipts:			
Property tax	\$ 327,167	-	-
Tax increment financing		-	-
Other city tax	23,603	-	-
Licenses and permits	3,865	-	-
Use of money and property	39,271	-	319
Intergovernmental	138,108	163,149	-
Charges for service	64,473	-	-
Miscellaneous	20,974	-	414,889
Total receipts	617,461	163,149	415,208
Disbursements:			
Operating:			
Public safety	163,279	-	243,865
Public works	4,491	105,324	-
Culture and recreation	183,141	-	-
Community and economic development	100,794	-	-
General government	102,951	-	-
Debt service	-	-	-
Capital projects	64,489	-	-
Total disbursements	619,145	105,324	243,865
Excess (deficiency) of receipts over (under) disbursements	(1,684)	57,825	171,343
Other financing sources (uses):			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(67,835)	(25,000)	-
Total other financing sources (uses)	(67,835)	(25,000)	-
Change in cash balances	(69,519)	32,825	171,343
Cash balances beginning of year, as restated	1,105,746	160,416	-
Cash balances end of year	\$ 1,036,227	193,241	171,343
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	193,241	-
Fire	5	-	171,343
Local option sales tax	-	-	-
Capital projects	-	-	-
Employee benefits	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Assigned for Fire / EMS purposes	66,325	-	-
Unassigned	969,897	-	-
Total cash basis fund balances	\$ 1,036,227	193,241	171,343

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	303,026	630,193
-	13,026	13,026
-	136,649	160,252
-	-	3,865
-	489	40,079
450,498	2,327	754,082
-	2,039	66,512
43,619	210	479,692
494,117	457,766	2,147,701
-	48,339	455,483
16,870	34,933	161,618
-	44,793	227,934
-	2,648	103,442
-	47,882	150,833
-	148,890	148,890
754,209	-	818,698
771,079	327,485	2,066,898
(276,962)	130,281	80,803
-	27,501	27,501
160,669	-	160,669
-	(80,459)	(173,294)
160,669	(52,958)	14,876
(116,293)	77,323	95,679
149,849	529,308	1,945,319
33,556	606,631	2,040,998
-	52,920	52,920
-	-	193,241
-	-	171,348
-	361,345	361,345
33,556	-	33,556
-	143,585	143,585
-	45,313	45,313
-	3,468	3,468
-	-	66,325
-	-	969,897
33,556	606,631	2,040,998

Exhibit C

City of Guthrie Center

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise				
	Water	Sewer	Solid Waste	Gas	Total
Operating receipts:					
Charges for service	\$ 415,031	231,287	125,179	929,608	1,701,105
Miscellaneous	1,516	1,500	-	16,783	19,799
Total operating receipts	416,547	232,787	125,179	946,391	1,720,904
Operating disbursements:					
Business type activities	274,932	159,716	102,988	763,319	1,300,955
Excess of operating receipts over operating disbursements	141,615	73,071	22,191	183,072	419,949
Non-operating receipts (disbursements):					
Interest on investments	1,070	1,271	1,029	13,057	16,427
Sale of capital assets	-	-	-	71,000	71,000
Capital projects	(118,096)	(33,990)	-	(193,706)	(345,792)
Net non-operating receipts	(117,026)	(32,719)	1,029	(109,649)	(258,365)
Excess of receipts over disbursements	24,589	40,352	23,220	73,423	161,584
Transfers:					
Transfers in	-	-	-	42,625	42,625
Transfers out	(30,000)	-	-	-	(30,000)
Total transfers	(30,000)	-	-	42,625	12,625
Change in cash balances	(5,411)	40,352	23,220	116,048	174,209
Cash balances beginning of year	338,903	422,297	332,203	2,811,074	3,904,477
Cash balances end of year	\$ 333,492	462,649	355,423	2,927,122	4,078,686
Cash Basis Fund Balances					
Restricted for meter deposits	\$ 10,756	4,943	-	32,116	47,815
Unrestricted	322,736	457,706	355,423	2,895,006	4,030,871
Total cash basis fund balances	\$ 333,492	462,649	355,423	2,927,122	4,078,686

See notes to financial statements.

City of Guthrie Center

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Fiduciary Fund

As of and for the year ended June 30, 2015

	<u>Agency</u>
Additions:	
Employee flex contributions	\$ 1,075
Other	<u>5,000</u>
Total additions	<u>6,075</u>
Deductions	
Medical reimbursements	600
Other	<u>22,444</u>
Total deductions	<u>23,044</u>
Change in cash balance	(16,969)
Cash balance beginning of year	<u>28,403</u>
Cash balance end of year	<u><u>\$ 11,434</u></u>

See notes to financial statements.

City of Guthrie Center

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Guthrie Center is a political subdivision of the State of Iowa located in Guthrie County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Guthrie Center has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Guthrie Center (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Guthrie Center Fire Fighters Association was formed under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the Association is to assist the Guthrie Center Fire Department in the execution and performance of its responsibilities to the citizens in and around Guthrie Center. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be discretely presented. A condensed financial statement as of and for the year ended December 31, 2014 is presented in Note 12.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Guthrie County Assessor's Conference Board, Guthrie County E911 Joint Service Board, Guthrie County Emergency Management Commission and the City of Guthrie Center Main Street Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Howey Estate Fund is used to account for a bequest to the Fire Department to be used for fire department expenses.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Solid Waste Fund accounts for the operation and maintenance of the City's solid waste system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for a specific purpose.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 135,000	16,065	151,065
2017	135,000	13,890	148,890
2018	135,000	11,330	146,330
2019	140,000	9,710	149,710
2020	140,000	7,750	147,750
2021-2022	290,000	8,410	298,410
Total	\$ 975,000	67,155	1,042,155

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22, but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1%. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.76% of covered payroll and the City contributed 10.14% for a total of 16.80%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$46,942.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$219,826. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.005542%, which was a decrease of 0.000891% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$20,343, \$11,748 and \$115,717, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):	\$ 484,147	\$ 219,826	\$ (3,218)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are seven active and no retired members in the plan. Retired participants must be 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark in which the City provides 85% of the coverage and plan members contribute the other 15%. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees and contribute 100% of the cost.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$516 for single coverage and \$1,052 for family coverage. For the year ended June 30, 2015, the City contributed \$84,982 and plan members eligible for benefits contributed \$14,997 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2015, primarily relating to the General Fund and the Enterprise, Water, Sewer, Solid Waste and Gas Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 37,000
Sick leave	20,000
Compensatory time	4,000
Total	<u>\$ 61,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	General	\$ 67,835
	Special Revenue:	
	Road Use Tax	25,000
	Local Option Sales Tax	67,834
		<u>160,669</u>
Enterprise:	Special Revenue:	
Gas	Tax Increment Financing	12,625
	Enterprise:	
	Water	30,000
		<u>42,625</u>
Total		<u>\$ 203,294</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$75,414.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses, exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation liability. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Commitments

The City has committed to a purchased gas contract of \$571,906 through October 2016.

(10) Internal Loans

The detail of interfund loans at June 30, 2015 is as follows:

Due to	Due From	Amount
Enterprise: Gas	Enterprise: Water	\$ 25,196
	Special Revenue: Tax Increment Financing	47,598
Total		<u>\$ 72,794</u>

The loans represent amounts paid from the Enterprise, Gas Fund to finance projects. The loans will be repaid through transfers as receipts in the respective funds become available.

(11) Restatement/Reclassification

The beginning cash basis net position/fund balance for governmental activities and the General Fund have been restated to include a separately maintained Fire Department account previously omitted.

In addition, the Special Revenue, Fire/EMS Fund has been reclassified to the General Fund to properly report the activity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.

The restated/reclassified cash basis net position/fund balances are as follows:

	Governmental Activities	General Fund	Special Revenue, Fire/EMS
Net position/fund balances June 30, 2014, as previously reported	\$ 1,863,825	987,799	36,453
Separately maintained Fire Department account previously omitted	81,494	81,494	-
Fund reclassification per GASB Statement No. 54	-	36,453	(36,453)
Net position/fund balances July 1, 2014, as restated	<u>\$ 1,945,319</u>	<u>1,105,746</u>	<u>-</u>

(12) Guthrie Center Fire Fighters Association (Component Unit)

The Guthrie Center Fire Fighters Association was formed under the provisions of Chapter 504A of the Code of Iowa as a nonprofit corporation which directly benefits the Guthrie Center Fire Department. The Association reports its financial information using a calendar year end. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for its discretely presented component unit. The following is the condensed financial information for the Association for the year ended December 31, 2014.

Operating receipts:	
Special events and fundraisers	\$ 40,261
Donations	10,161
Miscellaneous	2,418
Total operating receipts	<u>52,840</u>
Operating disbursements:	
Administration	11,275
Equipment	7,665
Clothing	6,462
Maintenance and supplies	13,560
Education	2,558
Fundraising	16,191
Total operating disbursements	<u>57,711</u>
Deficiency of operating receipts under operating disbursements	<u>(4,871)</u>
Non-operating receipts:	
Interest on investments	120
Insurance reimbursement	10,471
Total non-operating receipts	<u>10,591</u>
Change in cash balance	5,720
Cash balance beginning of year, as restated	<u>144,358</u>
Cash balance end of year - restricted	<u><u>\$ 150,078</u></u>

The beginning cash balance for the Guthrie Center Fire Fighters Association has been restated to exclude a separately maintained Guthrie Center Fire Department bank account improperly included in the prior year. The restated beginning cash balance is as follows:

Cash balance December 31, 2013, as previously reported	\$ 278,438
Guthrie Center Fire Department account previously reported in error	<u>(134,080)</u>
Cash balance January 1, 2014, as restated	<u><u>\$ 144,358</u></u>

(13) Subsequent Event

On October 12, 2015, the City entered into two bank loans totaling \$136,000 to purchase a fire truck. These loans were with People's Trust and Savings Bank and Guthrie County State Bank for \$68,000 each.

Other Information

City of Guthrie Center

Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 630,193	-	630,193
Tax increment financing	13,026	-	13,026
Other city tax	160,252	-	160,252
Licenses and permits	3,865	-	3,865
Use of money and property	40,079	16,427	56,506
Intergovernmental	754,082	-	754,082
Charges for service	66,512	1,701,105	1,767,617
Miscellaneous	479,692	19,799	499,491
Total receipts	2,147,701	1,737,331	3,885,032
Disbursements:			
Public safety	455,483	-	455,483
Public works	161,618	-	161,618
Health and social services	-	-	-
Culture and recreation	227,934	-	227,934
Community and economic development	103,442	-	103,442
General government	150,833	-	150,833
Debt service	148,890	-	148,890
Capital projects	818,698	-	818,698
Business type activities	-	1,646,747	1,646,747
Total disbursements	2,066,898	1,646,747	3,713,645
Excess (deficiency) of receipts over (under) disbursements	80,803	90,584	171,387
Other financing sources, net	14,876	83,625	98,501
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	95,679	174,209	269,888
Balances beginning of year, as restated	1,945,319	3,904,477	5,849,796
Balances end of year	\$ 2,040,998	4,078,686	6,119,684

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
616,425	616,425	13,768
15,425	13,020	6
151,788	152,988	7,264
2,650	3,695	170
51,475	45,155	11,351
603,190	862,485	(108,403)
1,857,800	1,838,685	(71,068)
32,780	8,495	490,996
3,331,533	3,540,948	344,084
298,759	239,378	(216,105)
188,590	195,075	33,457
5,000	-	
273,855	280,810	52,876
569,865	403,889	300,447
336,848	305,668	154,835
148,890	148,890	-
150,000	752,585	(66,113)
1,794,970	1,885,625	238,878
3,766,777	4,211,920	498,275
(435,244)	(670,972)	842,359
-	27,500	71,001
(435,244)	(643,472)	913,360
5,768,302	5,768,302	81,494
5,333,058	5,124,830	994,854

City of Guthrie Center

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the discretely presented component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$445,143. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety and capital projects functions.

City of Guthrie Center

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	<u>2015</u>
City's collective proportion of the net pension liability (asset)	0.005542%
City's collective proportionate share of the net pension liability (asset)	\$ 220
City's covered-employee payroll	\$ 497
City's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.27%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

City of Guthrie Center

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last Seven Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 47	46	46
Contributions in relation to the statutorily required contribution	<u>(47)</u>	<u>(46)</u>	<u>(46)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 513	497	516
Contributions as a percentage of covered-employee payroll	9.16%	9.26%	8.91%

See accompanying independent auditor's report.

GASB Statement No. 68 requires ten years of information be presented in this table. However until a full 10-year trend is compiled, the City will present information for those for which information is available

City of Guthrie Center

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

City of Guthrie Center

Supplementary Information

City of Guthrie Center

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Local Option Sales Tax	Employee Benefits	Library Trust
Receipts:			
Property tax	\$ -	156,360	-
Tax increment financing	-	-	-
Other city tax	114,698	6,224	-
Use of money and property	-	280	-
Intergovernmental	-	-	1,872
Charges for service	-	-	2,039
Miscellaneous	-	-	-
Total receipts	114,698	162,864	3,911
Disbursements:			
Operating:			
Public safety	4,713	43,626	-
Public works	4,645	30,288	-
Culture and recreation	34,570	10,223	-
Community and economic development	-	-	2,193
General government	30,000	17,882	-
Debt service	-	-	-
Total disbursements	73,928	102,019	2,193
Excess of receipts over disbursements	40,770	60,845	1,718
Other financing sources (uses):			
Sale of capital assets	-	-	-
Transfers out	(67,834)	-	-
Total other financing sources (uses)	(67,834)	-	-
Change in cash balances	(27,064)	60,845	1,718
Cash balances beginning of year	268,281	82,740	1,750
Cash balances end of year	\$ 241,217	143,585	3,468
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Local option sales tax	241,217	-	-
Employee benefits	-	143,585	-
Debt service	-	-	-
Other purposes	-	-	3,468
Total cash basis fund balances	\$ 241,217	143,585	3,468

See accompanying independent auditor's report.

Special Revenue				Permanent		
Tax Increment Financing	Fire Truck Replacement	Neighborhood Stabilization Program	Debt Service	Cemetery Perpetual Care	Total	
-	-	-	146,666	-	303,026	
13,026	-	-	-	-	13,026	
-	10,000	-	5,727	-	136,649	
-	209	-	-	-	489	
-	-	455	-	-	2,327	
-	-	-	-	-	2,039	
-	-	-	-	210	210	
13,026	10,209	455	152,393	210	457,766	
-	-	-	-	-	48,339	
-	-	-	-	-	34,933	
-	-	-	-	-	44,793	
-	-	455	-	-	2,648	
-	-	-	-	-	47,882	
-	-	-	148,890	-	148,890	
-	-	455	148,890	-	327,485	
13,026	10,209	-	3,503	210	130,281	
-	27,501	-	-	-	27,501	
(12,625)	-	-	-	-	(80,459)	
(12,625)	27,501	-	-	-	(52,958)	
401	37,710	-	3,503	210	77,323	
196	82,418	-	41,213	52,710	529,308	
597	120,128	-	44,716	52,920	606,631	
-	-	-	-	52,920	52,920	
-	120,128	-	-	-	361,345	
-	-	-	-	-	143,585	
597	-	-	44,716	-	45,313	
-	-	-	-	-	3,468	
597	120,128	-	44,716	52,920	606,631	

City of Guthrie Center
Schedule of Indebtedness
June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water system improvement and refunding	Jun 28, 2011	0.85-2.10%	\$ 670,000
Street improvement	Jun 13, 2012	1.00-2.00	820,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
325,000	-	105,000	220,000	5,810
780,000	-	25,000	755,000	12,080
<u>\$ 1,105,000</u>	<u>-</u>	<u>130,000</u>	<u>975,000</u>	<u>17,890</u>

City of Guthrie Center

City of Guthrie Center

Bond Maturities

June 30, 2015

General Obligations Bonds							
Year Ending June 30,	Water System Improvement and Refunding			Street Improvement			
	Issued Jun 28, 2011			Issued Jun 13, 2012			
	Interest		Amount	Interest		Total	
Rates		Rates		Amount			
2016	1.75%	\$	110,000	1.00%	\$	25,000	135,000
2017	2.10		110,000	1.00		25,000	135,000
2018			-	1.20		135,000	135,000
2019			-	1.40		140,000	140,000
2020			-	1.60		140,000	140,000
2021			-	1.80		145,000	145,000
2022			-	2.00		145,000	145,000
Total		\$	220,000		\$	755,000	975,000

See accompanying independent auditor's report.

City of Guthrie Center

Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property tax	\$ 630,193	557,217	515,065	549,494
Tax increment financing	13,026	14,332	15,587	16,131
Other city tax	160,252	152,093	167,058	160,553
Licenses and permits	3,865	4,291	3,598	4,142
Use of money and property	40,079	39,415	40,460	47,517
Intergovernmental	754,082	462,734	193,185	679,098
Charges for service	66,512	78,426	123,009	95,797
Miscellaneous	479,692	253,830	128,841	90,905
Total	\$ 2,147,701	1,562,338	1,186,803	1,643,637
Expenditures:				
Operating:				
Public safety	\$ 455,483	231,230	380,808	273,230
Public works	161,618	315,825	270,706	391,299
Health and social services	-	-	-	-
Culture and recreation	227,934	188,002	187,007	197,984
Community and economic development	103,442	333,313	140,375	569,944
General government	150,833	161,293	144,615	104,140
Debt service	148,890	150,448	141,074	143,566
Capital projects	818,698	49,305	709,151	-
Total	\$ 2,066,898	1,429,416	1,973,736	1,680,163

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
485,525	466,440	481,185	497,426	434,181	534,965
28,329	26,831	25,988	38,264	47,443	47,344
170,453	198,282	188,762	207,459	234,196	201,501
3,340	3,763	3,673	4,374	2,758	4,336
47,591	57,374	83,047	73,111	53,765	58,366
575,865	197,294	222,492	240,792	391,951	286,462
114,713	120,555	151,017	124,266	111,008	88,494
109,887	3,383	8,724	35,117	56,384	368,926
1,535,703	1,073,922	1,164,888	1,220,809	1,331,686	1,590,394
242,289	252,356	232,638	259,661	203,740	201,319
135,751	228,045	333,580	128,284	222,028	131,015
-	-	3,700	-	-	-
181,558	184,278	181,636	179,826	184,573	208,211
389,569	53,396	33,792	87,971	311,864	65,297
118,119	95,507	119,969	86,240	83,583	106,096
278,060	127,980	133,345	154,715	155,300	267,050
-	-	-	32,000	3,487	952,625
1,345,346	941,562	1,038,660	928,697	1,164,575	1,931,613

Schedule 5

City of Guthrie Center

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	12-HSG-013	95,605
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-DTR-003	450,068
Total			<u>\$ 545,673</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Guthrie Center and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
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**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Guthrie Center, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 4, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Guthrie Center's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Guthrie Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Guthrie Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 through II-C-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as Items II-D-15 through II-I-15 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Guthrie Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Guthrie Center's Responses to the Findings


The City of Guthrie Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Guthrie Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Guthrie Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

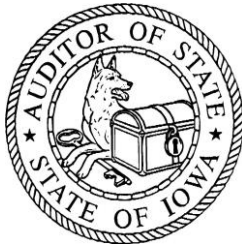

MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 4, 2016

City of Guthrie Center

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Guthrie Center, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Guthrie Center's major federal program for the year ended June 30, 2015. The City of Guthrie Center's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Guthrie Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Guthrie Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the City of Guthrie Center's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Guthrie Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.


Report on Internal Control Over Compliance

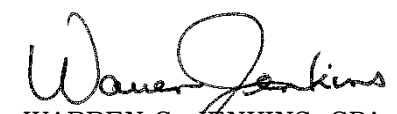
The management of the City of Guthrie Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Guthrie Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Guthrie Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 4, 2016

City of Guthrie Center
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Guthrie Center did not qualify as a low-risk auditee.

City of Guthrie Center
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees and officials to prevent an individual employee from handling duties which are incompatible. For the City and the Fire Department, one individual has control over each of the following areas.

- 1) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
- 2) Cash – handling, reconciling and recording.
- 3) Investments – investing, recording and reconciling earnings.
- 4) Receipts – opening mail, collecting, recording, depositing, journalizing and reconciling.
- 5) Utilities – billing, collecting, depositing, posting, recordkeeping for accounts receivable and write offs.
- 6) Disbursements – purchasing, invoice processing, preparing and signing checks, mailing and recording.
- 7) Payroll – recordkeeping, preparing, posting and distributing.
- 8) Computer system – performing all general accounting functions and controlling all data and output.
- 9) Long term debt - recording, debt payment processing and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Fire Department should review control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be documented by the signature or initials of the reviewer and the date of the review.

Response – Due to the small size of staff in the office, management feels cross training of employees outweighs total segregation of duties. Although one person can do all functions within the office, duties are staggered to provide some control. Independent reviews of reconciliations and journal entries will be reviewed, dated and initialed.

Conclusion – Response accepted.

City of Guthrie Center

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- II-B-15 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review.

Response – The software system reconciles the general ledger to the utility ledger and provides a report. However, office staff will periodically manually verify and reconcile utility billings and collections. The independent reviewer will initial and date the reconciliation as evidence of their review.

Conclusion – Response accepted.

- II-C-15 Financial Reporting – During the audit, we identified a bank account in the name of City of Guthrie Center, the activity for which was not previously recorded by the City. The beginning cash balance for the City was properly adjusted to include this account for reporting purposes.

In addition, the Special Revenue, Fire/EMS beginning fund balance was reclassified to the General Fund to properly report the activity in accordance with Governmental Accounting Standards Board Statement No. 54.

Recommendation – The City should implement procedures to ensure all accounts and funds are properly recorded and presented in the City's financial statements.

Response – The account has since been closed. The City will inform both financial institutions in town to not open any accounts in either the City's tax identification number or the name of a City department without City Council approval.

The Special Revenue account is a reclassification of an existing account that has been earmarked for fire and emergency management service and will continue to be earmarked for that purpose. The account will be reported as part of General Fund for financial reporting purposes.

Conclusion – Response accepted.

City of Guthrie Center

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- II-D-15 Prenumbered Receipts - Prenumbered receipts are issued by the City. However, the City does not have procedures in place to monitor the numerical sequence of receipts issued or to verify all amounts collected were subsequently deposited. In addition, an initial listing of collections was not prepared.

Recommendation – The City should monitor the numerical sequence of receipts and an initial listing of collections should be prepared and compared to the bank deposit and the accounting records by an independent person. Evidence of this review should be documented by the signature or initials of the reviewer and the date of the review.

Response – Receipts will be monitored going forward. An initial listing will be done by the person opening the mail. A person, other than the one opening the mail, will review the initial listing and compare it to the deposit, and will sign and date the initial listing to document their review.

Conclusion – Response accepted.

- II-E-15 Bank Reconciliations – The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, an independent review of the bank reconciliations was not performed.

In addition, the Fire Department bank account balances were not reconciled to the book balance throughout the year.

Recommendation – An independent person should review the City's reconciliations and document the review by signing or initialing and dating the monthly reconciliations. In addition, to improve financial accountability and control, bank reconciliations for the Fire Department should be prepared and reviewed monthly. Evidence of reviews should be documented and retained. Variances, if any, should be investigated and resolved timely.

Response – Bank reconciliations will be reviewed by a City Council member going forward. In addition, Fire Department reconciliations will be prepared monthly and reviewed. The independent reviewer will initial and date the reconciliations as evidence of their review.

Conclusion – Response accepted.

- II-F-15 Utility Rates - Utility rates are not reviewed by an independent individual to ensure accuracy.

Recommendation - The City should establish procedures to ensure the proper rates are entered into the accounting software.

Response – An independent review will occur periodically going forward. In addition, printouts of the rates will be presented to the Utility Board with their meeting packets going forward.

Conclusion – Response accepted.

City of Guthrie Center

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- II-G-15 Change Fund - The City maintains a change fund at City Hall. The amount held in the change fund was not approved by the City Council.

Recommendation - The City Council should approve the amount of cash held in the change fund.

Response - On February 8, 2016, the Council adopted a resolution to establish the change fund.

Conclusion - Response accepted.

- II-H-15 Interfund Loans - During the prior year, the City extended a loan to the Special Revenue, Tax Increment Financing Fund from the Enterprise, Gas Fund. However, there is no evidence the City Council approved the interfund loan.

Recommendation - Documentation should be maintained to support approval of interfund loans.

Response - A resolution formally establishing this debt will be approved on February 22, 2016 by the City Council and on March 16, 2016 by the Utility Board.

Conclusion - Response accepted.

- II-I-15 Computer Systems - During our review of internal control, the existing control activities in the City's computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer systems were noted:

The City does not have comprehensive written policies for:

- password privacy and confidentiality.
- requiring password changes at least every 60-90 days.
- requiring backups of system information.
- installing software from a vendor and ensuring only software licensed to the City is installed on computers.
- requiring the use of an anti-virus program on computers.
- usage of the internet.
- personal use of computer equipment and software.

In addition, the City does not have a written disaster recovery plan.

City of Guthrie Center

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over its computer systems. A written disaster recovery plan should be developed. At a minimum, the plan should identify computer equipment needed for temporary processing and paper supplies, such as checks, warrants, purchase orders, etc., which should be located off-site.

Response – Written policies will be developed by the end of April 2016.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Guthrie Center
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

City of Guthrie Center
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Every effort will be made to not exceed the budget in the future.

Conclusion – Response accepted.

IV-B-15 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Craig Kintz, Utility employee, owner of Kintz Carpet Cleaning	Carpet cleaning	\$176

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transaction with Craig Kintz does not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

IV-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-15 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Guthrie Center

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-H-15 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1. However, the City overstated TIF debt outstanding reported on the Levy Authority Summary by \$60,222.

Recommendation – The City should ensure TIF debt outstanding reported on the Levy Authority Summary agrees with the City's records.

Response – The necessary changes will be made.

Conclusion – Response accepted.

IV-I-15 Tax Increment Financing (TIF) Fund - Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

We noted the following:

- 1) The City certified tax increment financing (TIF) indebtedness to the County Auditor for invoices totaling \$74,555 from the Enterprise, Gas Fund for project costs within the City's urban renewal area. While the City intended these payments to represent loans from the Enterprise, Gas Fund to the Special Revenue, Tax Increment Financing Fund for the related TIF projects, the loans were never formally approved by the City Council and, accordingly, do not represent TIF debt which may be certified to the County Auditor.
- 2) The amount certified to the County Auditor for the above TIF obligation totaled \$77,555, \$3,000 more than the obligation incurred.

Recommendation – The City should establish procedures to ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

The City should decertify previously certified amounts that do not represent a TIF obligation.

Response – The City will work with the County Auditor to properly decertify amounts not representing TIF debt. In the future, the City will take appropriate steps to correctly incur TIF expenses and debt.

Conclusion – Response accepted.

City of Guthrie Center

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- IV-J-15 Separately Maintained Records – The City Fire Department maintains separate accounting records for certain operations. The transactions and resulting balances were not included in the City's accounting records and were not included in the City's annual budget, monthly financial reports or Annual Financial Reports. Adjustments were subsequently made by the City to properly record the activity in the General Fund.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the City's ledgers, budget and Annual Financial Reports.

Response – The City will consult with the Guthrie Center Fire Department and all activity for the Guthrie Center Fire Department will be run through the City's books, as required. The City must rely on the Fire Department to turn over such items.

Conclusion – Response accepted.

- IV-K-15 Commingled Funds – Based on our review of the Guthrie Center Fire Fighters Association (Fire Association) deposits, we noted 3 of 42 checks tested, totaling \$11,379, were issued to the Guthrie Center Fire Department. One of the checks was for a fundraiser advertised to the public as a "Guthrie Center Firemen's" event. The flyer did not specify the proceeds from the fundraiser were for the Fire Association. The Guthrie Center Fire Department is a department of the City and, accordingly, checks issued to the Guthrie Center Fire Department are public funds which should be deposited with the City. Sufficient documentation was not available to determine if any other receipts collected in the name of the Guthrie Center Fire Department were incorrectly deposited to the Fire Association's bank account.

Recommendation – Section 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property." Checks issued to the Guthrie Center Fire Department are City funds which should be deposited and accounted for by the City in accordance with Section 384.20 of the Code of Iowa. Funds currently held by the Fire Association which were collected in the name of, or for the benefit of, the Guthrie Center Fire Department should be immediately remitted to the City.

Responses –

City – The City will consult with the Guthrie Center Fire Fighters Association and will recommend following the State Auditor's recommendations.

Fire Association – We will work with the City to remedy the situation. Advertising for future fundraisers will clearly specify the Guthrie Center Fire Fighters Association as recipients of the fundraising proceeds.

Conclusion – Responses accepted.

City of Guthrie Center
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

IV-L-15 Guthrie Center Donations – During the year ended June 30, 2015, the City donated a total of \$655 to various non-profit organizations for which the public purpose was not specified.

Recommendation – The City should consult legal counsel to determine the disposition of this matter. The City should also ensure the public purpose of all future disbursements is documented.

Response – The City will consult legal counsel for the disposition of the matter and will ensure the public purpose is documented for all future disbursements.

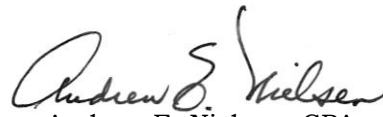
Conclusion – Response accepted.

City of Guthrie Center

Staff

This audit was performed by:

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